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## **ECONOMY NOT SLOWING ENERGY PROJECTS**

*By Matthew Brown*

Financing prospects for large-scale energy projects in Montana have dimmed with the crisis on Wall Street, but some that already are under way should proceed as planned, state officials and developers said.

Across Montana, new transmission lines, pipelines, wind farms and coal and natural gas projects are proposed or under construction.

Montana Gov. Brian Schweitzer told The Associated Press in a recent interview that several companies assured him their projects will not be derailed by the downturn. Still, he cautioned that the recent heady pace of development could end if the economic outlook remains grim and banks stay reluctant - or unable - to make large loans.

"There's no question about it, when we look at the big infrastructure economy, there could be a slowdown," Schweitzer said.

### **Cash in hand**

Some projects had lined up cash before the crisis, such as the 210-megawatt Glacier Wind farm being built near Shelby for \$500 million. Half of the wind turbines at the site went online last week, and the remainder are set to come online next year, said Bill Alexander with NaturEner, the Spanish company behind the project.

Similarly, a \$400 million to \$450 million expansion of the Signal Peak Coal Mine is under way with a new rail line being built to the site. The project near Roundup is backed by at least \$125 million in private equity and by outside loans, said Signal Peak president John DeMichiei.

But getting those loans did not mean the company skirted Wall Street's problems altogether.

"If it costs more for a bank to borrow from a bank, you don't think they're going to absorb that do you?" he asked. "Like anything else, it becomes more expensive."

For projects still needing money, developers are trying to line up customers or otherwise demonstrate to potential investors that they can expect adequate returns. That includes a natural gas power plant proposed by NorthWestern Energy near Anaconda.

NorthWestern spokeswoman Claudia Rapkoch said the \$206 million project will be built with a roughly 50-50 mix of cash and debt. Before seeking that debt, the company is

awaiting approval from the Montana Public Service Commission, which could come next spring.

PSC approval, she said, "gives assurances to the market that this is a viable project that will generate revenue."

Lining up customers in advance has long been considered a reliable model for securing loans, said Patrick Barkey, director of the Bureau of Business and Economic Research at the University of Montana. But Barkey said the current economic uncertainty will put that adage to the test.

"We always have credit cycles," he said. "What happens on the upside of a cycle is loans are made that shouldn't be made. And on the downside, there are loans out there that are really good loans, with money to be made, but the loans are not being made."

### **Still needing financing**

Other major projects that need outside financing to go forward include a \$7 billion coal conversion plant on the Crow Reservation, the \$790 million Highwood Generating Station near Great Falls and a \$150 million Alberta-to-Montana transmission line.

The Crow plant is proposed by the tribe in partnership with Australian-American Energy Company. Australian-American's chief executive, Allan Blood, said when the project was unveiled in August that financing would be found - a claim repeated by company officials earlier this month.

For the Highwood power plant, Southern Montana Electric began earth-moving work on an 850-acre site last week. SME's Tim Gregori said interim financing will allow initial work to begin while the utility seeks a loan for the power plant's full cost.

The 230-mile transmission line, proposed by Canada's Tonbridge Power and known as the Montana Alberta Tie Line, is in the process of finalizing a \$90 million construction loan. The company also has an agreement with a customer to prepay \$35 million in future revenues toward the cost of the project, said Tonbridge managing director Rob McFarlane.

One energy sector expected to escape the tightening credit markets is the oil industry. That's because oil companies are sitting on large cash reserves built up when prices for the fuel soared over the past several years, said Schweitzer and economist Barkey.

"It's not going to be them going to Wall Street and saying, 'Please can I have some money to build a new well.' Big oil and little oil have been drilling a lot of wells and making a lot of money," Schweitzer said. "I fully anticipate they're going to continue to invest that."